

# United States Senate

WASHINGTON, DC 20510

## Cosponsor the Consumer Price Index for Elderly Consumers Act

November 16, 2011

Dear Colleague:

As the Joint Select Committee on Deficit Reduction works to find a comprehensive deficit reduction plan, one proposal that has been floated – chained CPI – would provide what amounts to little more than a regressive tax increase on our nation's seniors. Under the chained CPI, yearly benefits for a typical 65-year-old would be about \$136 less, according to an analysis of Social Security data. But, because the cuts compound over time, at age 75, annual benefits under the new index would be \$560 less. At 85, the cut would be \$984 a year, and at 95, the annual income loss would amount to \$1,392. When the average Social Security retiree receives \$14,000 annually, this is little more than a cost shift from the federal government to those who can least afford the burden.

I invite you to join me in sponsoring the **Consumer Price Index for Elderly Consumers Act**, which would address the problem of using the present CPI index by basing Social Security cost-of-living adjustments (COLAs) on an inflation index specifically geared toward the goods and services consumed by older Americans.

By statute, Social Security COLAs are calculated using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W measures changes in the prices of goods and services purchased by those who earn more than half their income from clerical or wage occupations.

The CPI-W does not accurately reflect the inflation experience of older Americans because it only reflects the consumption patterns of employed individuals, not retirees. According to the Congressional Research Service, between 1982 and 2009, the CPI-W rose at an average rate of 2.9 percent while the average Consumer Price Index for the Elderly (CPI-E) rose 3.2 percent. According to calculations by the Congressional Research Service, in 2009, the average person would have received a monthly benefit check of \$888.27 under the CPI-W (current law) and \$954.52 under the CPI-E. That's a difference of \$66.25 a month or \$795 over the course of a year.

The largest driver of this difference is spending on health care, the price of which has risen much faster than other goods and services. Between 1982 and 2009, the medical component of the CPI-W rose an average of 5.2%. Those above age 65 tend to spend more than twice as much on health care than the general population. Individuals above age 75 spend almost three times as much on health care than the general population.

A recent AARP letter to the Chairs of the Joint Select Committee on Deficit Reduction echoes this concern, stating "the COLA is currently based on an index that already under-reports the rapidly increasing costs disproportionately experienced by seniors, and as such results in a lower than warranted COLA."

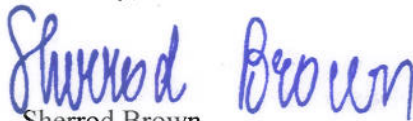
The **Consumer Price Index for Elderly Consumers Act** directs the Bureau of Labor Statistics of the Department of Labor to devise and publish a consumer price index that tracks inflation for the population aged 62 and older. The CPI-E would then be used to determine cost-of-living adjustments (COLAs) for Social Security benefits.

At a time when too many seniors have seen their pensions disappear and their retirement accounts tumble, Social Security has become their retirement plan. Please join us in our efforts to provide seniors with the benefits they deserve.

This legislation is supported by the National Committee to Preserve Social Security & Medicare, AARP, AFL-CIO, Alliance for Retired Americans, National Nurses United, USW, UAW, AFSCME, and Strengthen Social Security.

If you would like cosponsor or have any questions, please contact Erin Richardson in Senator Sherrod Brown's office at 224-2315 or [Erin\\_Richardson@brown.senate.gov](mailto:Erin_Richardson@brown.senate.gov).

Sincerely,



Sherrod Brown  
United States Senator



Barbara Mikulski  
United States Senator

#### **Support for the Consumer Price Index for the Elderly Act:**

"Your legislation, by creating and applying a price index that does accurately reflect costs for Social Security beneficiaries, remedies the current disparity in calculating the COLA. This change will help our members better meet the financial challenges they face. The Alliance for Retired Americans enthusiastically supports your legislation."

- The Alliance for Retired Americans

"Using this moment to introduce legislation supporting a more accurate CPI is exactly the direction in which we should be moving. Social Security was established in the midst of the Great Depression to help alleviate suffering and stimulate the economy. Movement in the opposite direction is not only imprudent, it is immoral."

- National Nurses United

"At a time when the political discourse seems dominated by talk of where and by how much we can cut the safety net of the oldest and most vulnerable among us, your bill reaffirms our shared commitment to the millions of working Americans that Social Security, our nation's most effective anti-poverty program, will provide them with a meaningful retirement benefit."

- American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

"Using the continuing economic crisis to cut the Social Security benefit that seniors and people with disabilities increasingly rely on to make ends meet is not only inaccurate but unconscionable.... Social Security was established in the midst of the Great Depression to ensure that the elderly would not live out their years in poverty, ill-health and fear. A great nation does not sacrifice its elderly and most needy so that millionaires and billionaires don't have to pay one more cent in taxes."

- United Steel Workers (USW)



"The UAW recognizes that the current formula is flawed and does not adequately reflect the rising costs that retirees face. The current inflation measure is based on the needs and spending patterns of the general population rather than those of the elderly, who generally have higher out-of-pocket health and medical costs. In our view, your legislation, which requires a more adequate reflection of seniors' spending patterns, is a sensible solution and would be welcomed by millions of seniors who rely on Social Security for their everyday needs."

- International Union, United Automobile, Aerospace & Agriculture Implement Workers of America (UAW)

"We are grateful to you for advancing this legislation, especially given the interest of some in an alternate "chained" inflation index that would reduce future COLAs. As you know, the CPI used currently to calculate the COLA already undercounts the higher inflation experienced by seniors, whose incomes are disproportionately spent on health care costs. Switching to the so-called "chained" CPI would be a benefit cut, pure and simple, and will make it increasingly difficult for current and future generations of retirees to make ends meet."

- National Committee to Preserve Social Security & Medicare (NCPSSM)

"Despite the shortcoming of the current CPI, some members of the Joint Select Committee on Deficit Reduction are considering a new formula, the "chained CPI", which would further erode the adequacy of Social Security COLA.... In contrast, your bill would maintain the value of Social Security benefits throughout retirement, an essential feature of the program. Strengthening these crucial retirement benefits is particularly important now, as non-Social Security retirement plans are under attack and have been weakened."

- American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME)

"Because the CPI-E is more accurate, it would better maintain the purchasing power of all Social Security beneficiaries, but particularly for those in late old-age, when they are often most economically vulnerable.... Your bill is especially timely, because many in Congress have proposed using a COLA based on the chained Consumer Price Index (CPI). At a time when the COLA already fails to keep pace with rising health care costs, the chained CPI would make the Social Security COLA even less accurate than it is currently."

- Strengthen Social Security